https://www.financial-planning.com/list/client-relationships-still-advisors-top-priority

Despite AI's allure, client relationships remain the crux of advisors' work
By Rob Burgess
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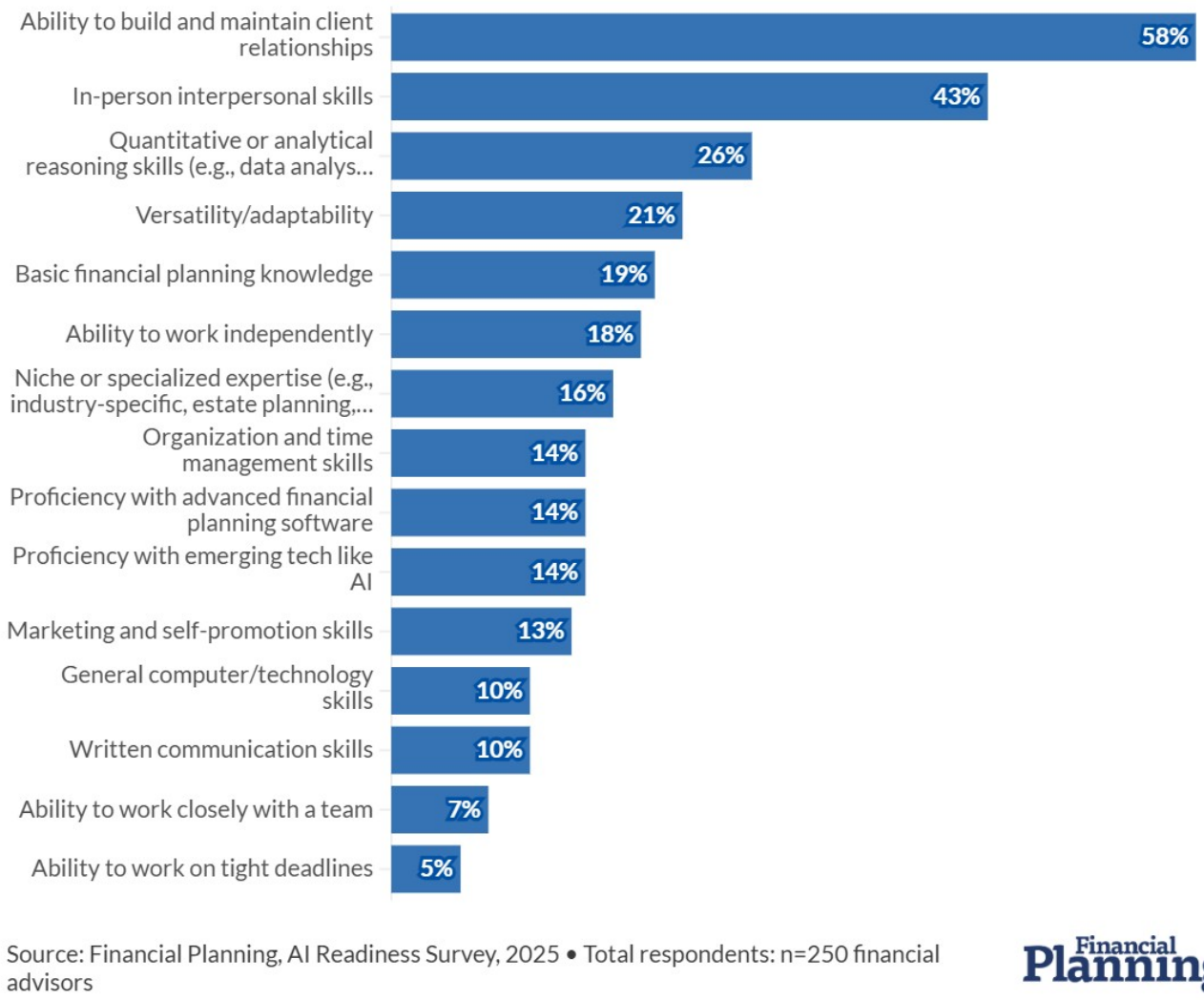
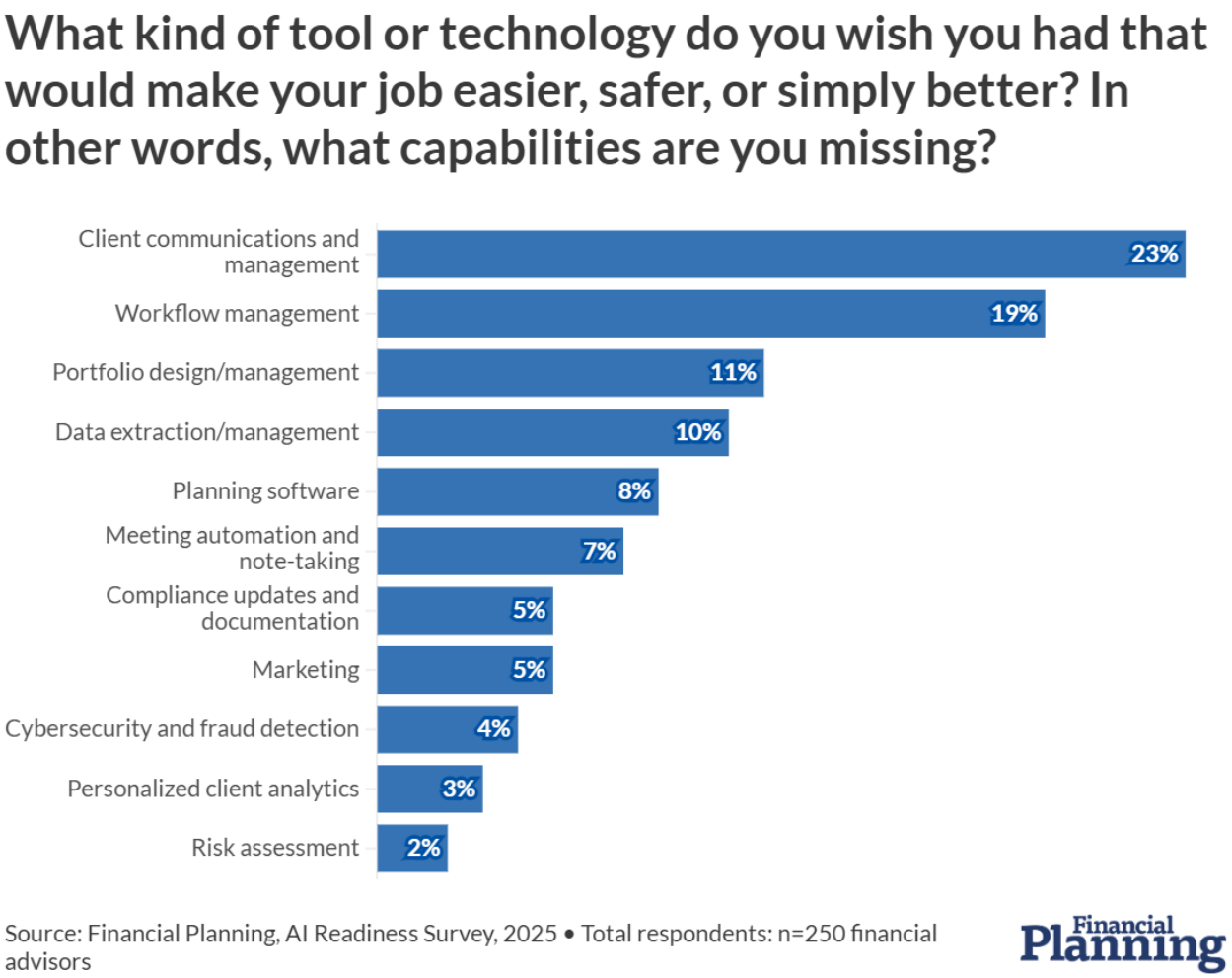
Artificial intelligence has become a fixture in the practices of many financial advisors. Yet despite the usefulness of the advancing technology, advisors are adamant the human connection remains at the heart of their work.

Financial Planning's recent AI Readiness Survey, which polled 250 advisors, revealed distinct trends in how advisors are implementing and perceiving artificial intelligence in wealth management.

The survey results highlight the tension between technology and human touch: Advisors ranked soft skills above technical prowess when identifying the talents needed to thrive today. Most said the top skills for success are those that revolve around building and maintaining client relationships (58%) and having in-person interpersonal skills (43%).

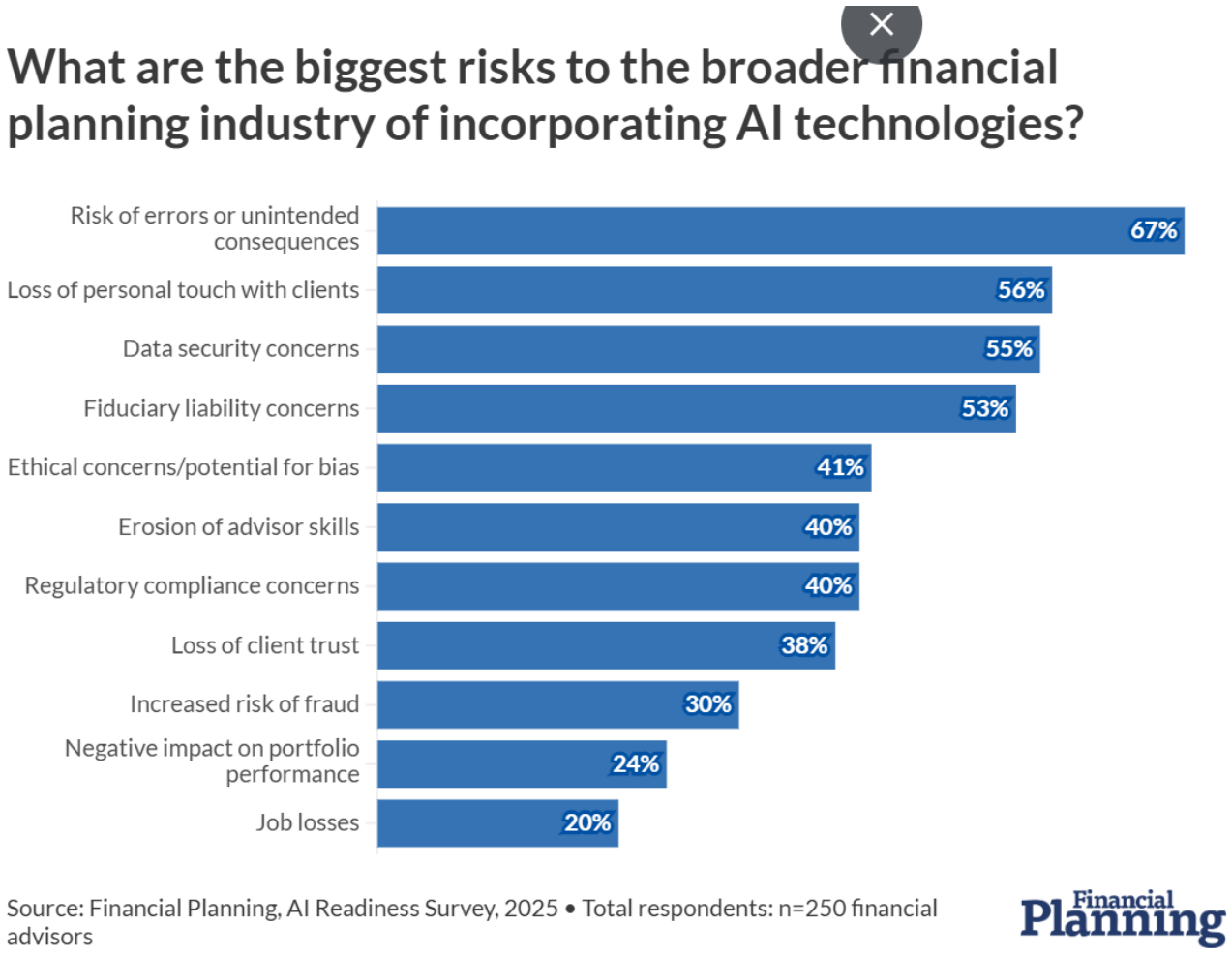


Even with all the new AI tools embedded or standing alone in tech stacks, advisors say there is still room for improvement when it comes to enabling the human connection at the center of their businesses. The tools advisors most wish they had include those to help with "client communications and management" (23%) and workflow management (19%).

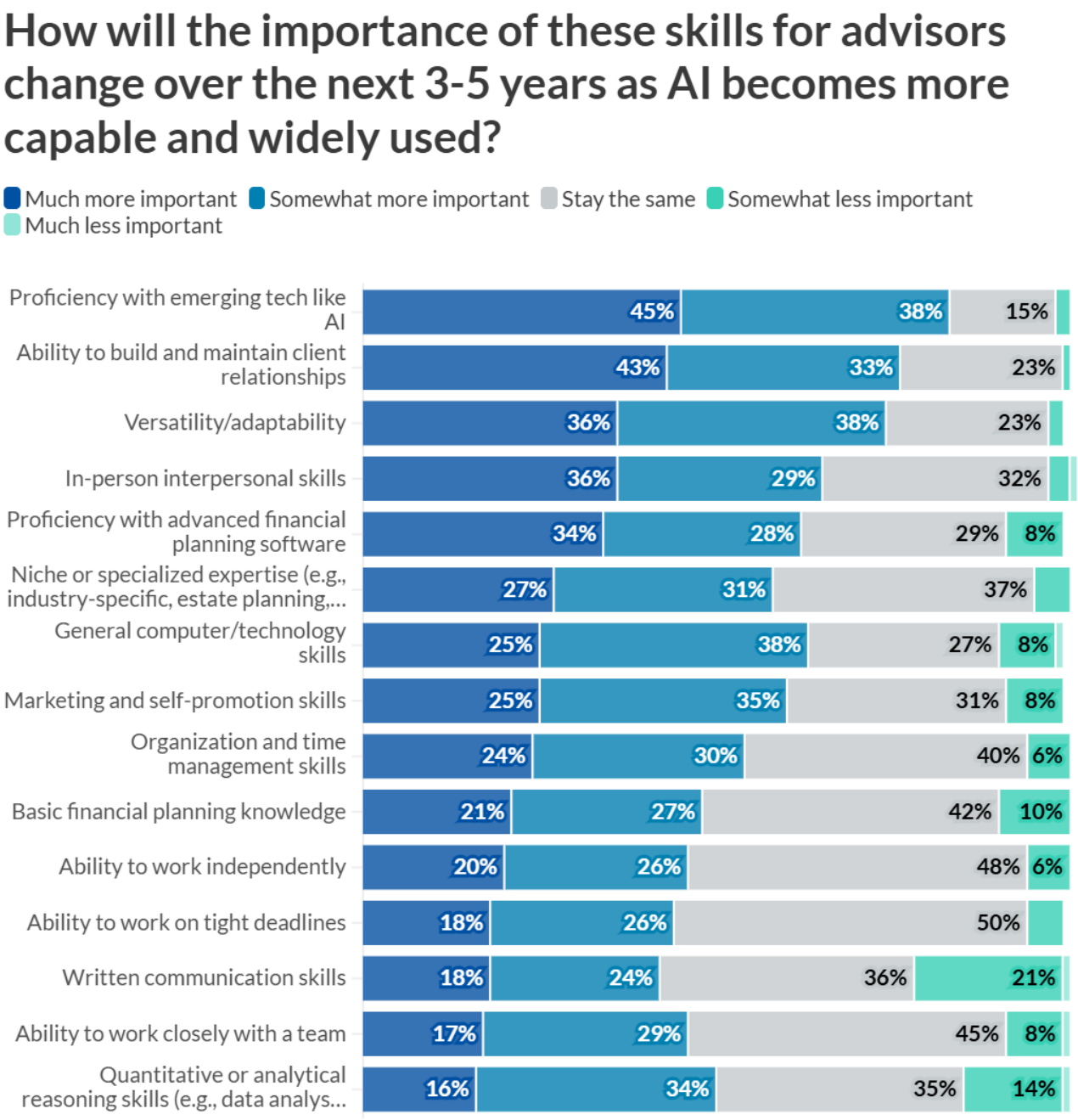


Given that good client relationships are the foundation successful practices are built on, it makes sense that advisors' greatest fears regarding AI revolve around anything that could damage that bond with clients, including loss of trust through data mismanagement or unhelpful third parties.

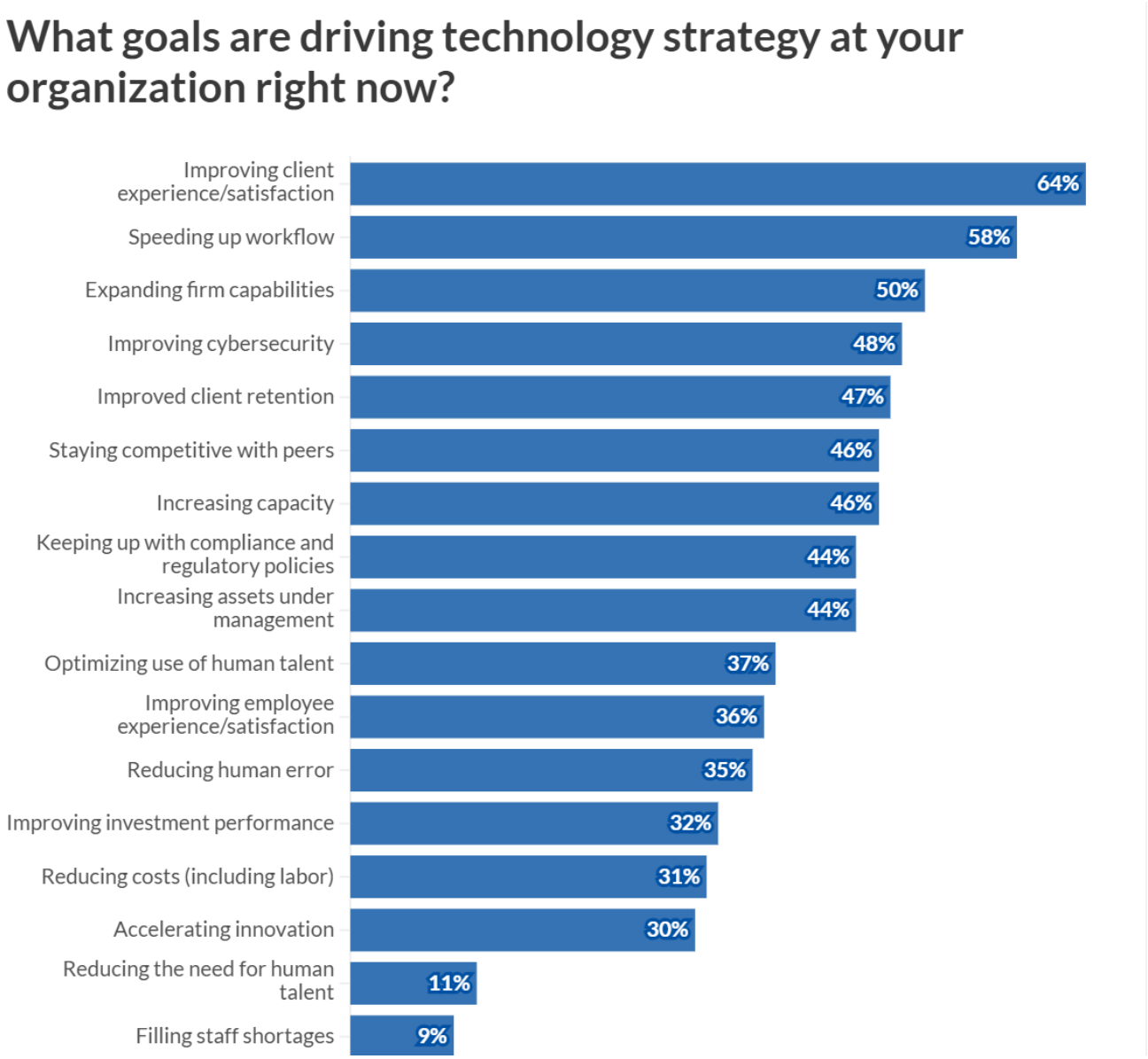
The biggest risks to the industry from AI, as advisors see it, are the "risk of errors or unintended consequences" (67%), the "loss of personal touch with clients" (56%) and "data security concerns" (55%).



Unsurprisingly, advisors see proficiency in AI and other tools as a crucial skill to have as the technology continues to advance, with 83% saying it would be much or somewhat more important in the coming years. As to a skill that may be heading toward obsolescence, 22% of advisors said "written communication skills" would become somewhat or much less important.



Driving home the importance of keeping clients happy, the survey showed that the No. 1 priority behind firms' technology strategy is "improving client experience and satisfaction," with nearly two-thirds of advisors citing it as the top focus.



Scroll down to read about other key findings from the AI Readiness Survey:

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You may not think AI will replace you, but this CEO is betting on it
If advisors express concern about AI, most boosters will usually respond that the technology is meant to be an enabler, not a replacement.

Well, not everyone.

Range CEO Fahad Hassan is making it his goal to replace all financial advisors with AI. No surprise, advisors see things differently; 70% of the AI Readiness Survey's 250 respondents said AI would not eliminate advisor roles.

READ MORE: Don't think AI will replace you? That's this CEO's goal

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Are you ready to let AI take the wheel on client portfolios?
In the first stages of AI adoption into advisor tech stacks, the back office was most often the first target.

This is logical, as if there are hallucinations or mistakes, advisors have an opportunity to catch it before a client ever gets wind.

But as AI moves to the front office, advisors expressed concern with the idea that AI would have unsupervised access to client investments and portfolios.

READ MORE: Most advisors see AI in investing as a risk

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New tools require training
In the survey, advisors were asked what they were doing to prepare their organizations to be more AI-ready.

The overwhelming answer from 44% of respondents was "educating employees about AI."

LPL Financial and Merrill — together accounting for nearly 1 in 5 active advisors — are tackling this challenge head-on by providing support and training to employees and on the importance and proper usage of these new tools.

READ MORE: How Merrill, LPL push advisor education in AI adoption

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Avoiding legal trouble when using AI
Lawyers with experience in this field say there has been a significant groundswell of interest in litigation regarding advisors who misuse AI tools.

This is significant for many reasons, but one particularly sensitive area is advisors' use of AI in legal document summaries.

There are several areas experts say advisors should be aware of as they navigate the emerging legal minefields inherent in the use of this technology.

READ MORE: How advisors can avoid legal pitfalls of AI use

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Technology outpacing regulation
As AI advances rapidly, regulators are struggling to catch up to the new reality.

As such, "regulatory compliance concerns" (44%) topped respondents trepidations about further implementing AI technology.

Oversight may eventually be refashioned to meet the moment, but it will take some time.

READ MORE: Advisors love AI, but most are scared of the compliance risks

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